

surrender of their privileges and their land taxes. A new form of paper, bearing the traditional emblems of the Empire, was adopted and acquired a more general circulation than the old.¹

The local banks of issue were authorized under the name of national banks by a law of 1872. The law was passed largely to prevent the fall in value of the government paper money, and the redemption of the paper was partially provided for by the issue of government stocks. The banks were required to purchase the stocks in order to issue circulating notes and were at first required to redeem their notes on demand in gold. The depreciation of silver and the excess of paper caused such a persistent demand for the conversion of the notes that the banks were authorized in 1876 to redeem in government paper money. The capital of these banks was allowed to consist of any form of government stock, and the banks were required to leave this stock in the custody of the government, receiving eighty per cent. * of the amount in paper. There was almost a mania for new banks between 1876 and 1879 and the number in operation at the close of the latter year was 153. Paper fell in 1877 fifty per cent, in relation to gold, and the situation was made worse by the issue of 27,000,000 yen in government notes to pay the expenses of putting down the rebellion of 1877-78. An effort was made in 1878 to bring order into the disordered financial system by the suspension of further issues of paper, the issue of short-term Treasury bonds bearing interest, exchangeable for government notes, and the issue of long-term bonds bearing interest at seven per cent, and payable in silver. It was announced that the redemption of a portion of these bonds annually would be accompanied by the burning of an equal quantity of paper money. These measures were completely successful. The breaking down of feudal barriers developed the domestic commerce of the country and stimulated a production of commodities which found an outlet abroad and brought silver pouring into Japan in payment. The banks bought up the depreciated paper ¹G. Boissonade, *Journal des feconomistes*, Sept., 1895, 410.